

Message Text

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S E C R E T CAIRO 4365

EXDIS

E.O. 11652: GDS

TAGS: BEXP, PFOR, EAID, EG

SUBJECT: EGYPTIAN REQUEST FOR SUEZ CANAL EQUIPMENT

1. DURING RECENT PRESIDENTIAL VISIT, I HAD OCCASION TO DISCUSS WITH HEGAZI WHAT PRIORITY ITEMS ON MASHOUR'S SUEZ CANAL LIST HAVE VIS-A-VIS OTHER GOE PROJECTS AND VIS--VIS EACH OTHER. THE REPLY WAS A BIT DISAPPOINTING. HEGAZI SIMPLY INDICATED THAT ITEMS NEEDED FOR SUEZ CANAL RE-OPENING HAVE "HIGH PRIORITY." HE DID NOT SEEM AWARE OF THE FULL RANGE OF ITEMS ON THE SCA LIST AND WAS UNABLE TO COMMENT ON PRIORITIES WITHIN THE LIST.

2. WE ARE WITNESSING IN THIS EXERCISE WHAT IS LIKELY TO BE A CONTINUING PROBLEM IN WORKING WITH GOE. GOE HAS SOME GENERAL CATEGORIES OF PRIORITIES, BUT NO ONE IN AUTHORITY SEEMS WILLING TO MAKE A JUDGEMENT THAT ONE ITEM WITHIN A HIGH PRIORITY CATEGORY SHOULD TAKE PREFERENCE OVER ANOTHER. INVARIABLY, EGYPTIAN SENIOR OFFICIALS EVADE MAKING A POTENTIALLY UNPOPULAR JUDGEMENT BY SAYING "YOU TAKE YOUR PICK OF WHAT YOU PREFER TO DO."

3. IN PRINCIPLE, TYPE OF COOPERATION WITH IBRD IN FINANCING CANAL REHABILITATION CITED REFTEL SEEMS SOUND. I AM SOMEWHAT CONCERNED, HOWEVER, THAT WE NOT ALLOCATE TOO LARGE A PORTION OF THE LIMITED FUNDS WE ARE LIKELY TO HAVE AVAILABLE, ASSUMING THAT THE CONGRESS

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APPROVES OUR REQUEST, TO AN ACTIVITY WHERE

ITS IDENTITY IS TOTALLY CONCEALED WITHIN THE CONTEXT OF AN IBRD SPONSORED AND ADMINISTERED ACTIVITY. UNLESS OUR CONTRIBUTION IS CLEARLY IDENTIFIED, WE WILL LOSE MUCH OF THE POLITICAL IMPACT WHICH I BELIEVE WE SHOULD TRY TO ACHIEVE. ADDITIONALLY, WE WILL DRAW DOWN THE TOTAL AVAILABLE SUM BY WHATEVER AMOUNT IS ALLOCATED FOR SUEZ CANAL REHABILITATION, THEREBY LEAVING LESS TO MEET OTHER HIGH PRIORITY AREAS, I.E. SUEZ CITY RECONSTRUCTION, REBUILDING BADLY NEEDED INFRA-STRUCTURE, FOODSTUFFS AND REACTIVATION OF IDLE INDUSTRIAL CAPACITY.

4. CERTAINLY, US CONTRIBUTION TO SUEZ CANAL REHABILITATION, WHETHER DONE THROUGH IBRD OR DIRECTLY, SHOULD, IN MY JUDGEMENT, BE TIED TO US PROCUREMENT. THIS MAY BE THE ONLY WAY THAT AMERICAN BUSINESS IS GIVEN A FIGHTING CHANCE TO COMPETE IN THE EGYPTIAN MARKET, EVEN THOUGH IT MAY MEAN SCA HAS TO SPEND SOMEWHAT MORE MONEY FOR SOME TYPES OF EQUIPMENT THAN WOULD BE THE CASE IF IT COULD SHOP WITHOUT SUCH LIMITATIONS.

5. I LOOK FORWARD TO PFFOUTZ'S VISIT TO DISCUSS MATTER FURTHER WITH HIM.
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